



Discover the Pattern, Anticipate the Future

We would be happy to discuss this commentary with you and provide additional market insights. Feel free to call us at +1 859-687-2748 or email us at rachel.poole@fundamentalanalytics.com

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Monthly Newsletter: September 2019

By Rachel Poole and Joel Fingerman

Greetings!

Fundamentals

DOE Insights

Crude Oil Stocks Draw, Much Greater than Expectations

The DOE reported Total Crude Oil Inventories decreased by 10.0 million barrels to 427.8 million barrels for the week ending August 23, 2019, while the expectations average was for a 2.1 million barrel draw.

Overall hydrocarbon supplies decreased by 11.2 million barrels to 1,304 million barrels.

Crude Oil Production increased by 200,000 barrels per day to 12.5 million barrels per day.

Total Crude Imports decreased by 1.3 million barrels per day to 5.9 million barrels per day.

Total Refinery Crude Runs decreased by 300,000 barrels per day to 17.41 million barrels per day.

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Benefits of FA:

- Easy to use, web-based and menu driven platform.
- Extensive history of data.
- Superior graphing capabilities
- Competitively priced.

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The DOE report was bullish to crude oil prices. However, prices had been rising before the report was released due, in part, to the bullish API data released Tuesday, so prices

actually fell for the remaining part of the trading day. During the last two weeks prices have not been able to trade and stay above \$56 and the market remains in the range of \$50 to \$60 as bearish recession sentiment have pressured prices down but tensions in Middle East prevents any significant decline in prices.

Chart 1

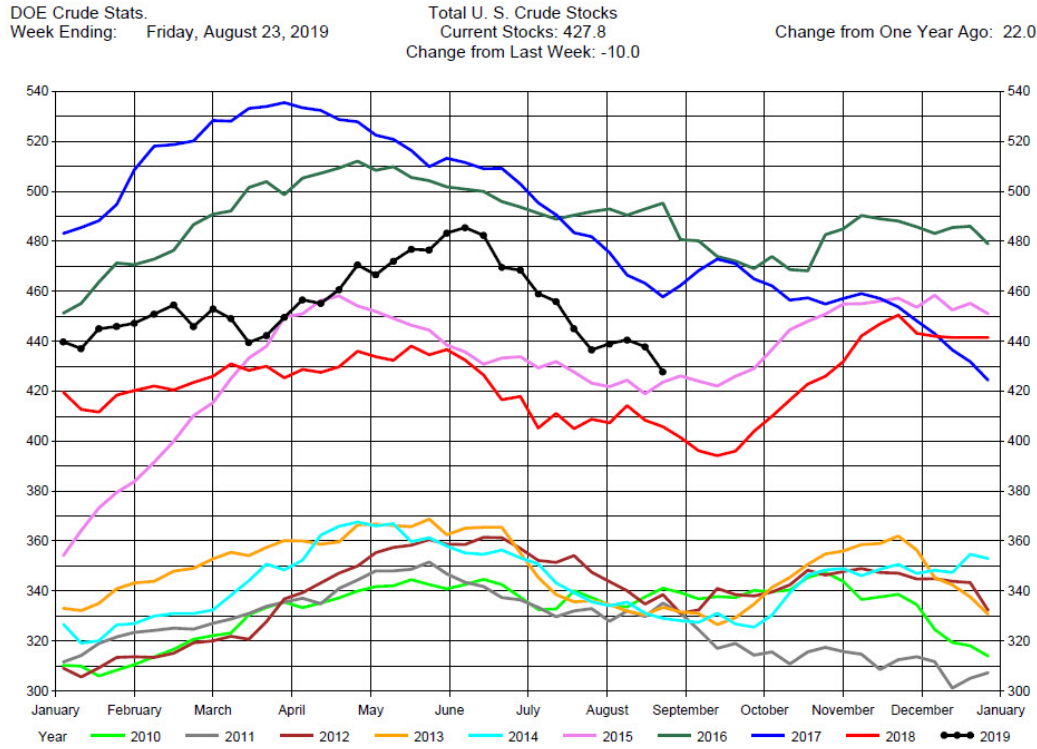


Chart 2

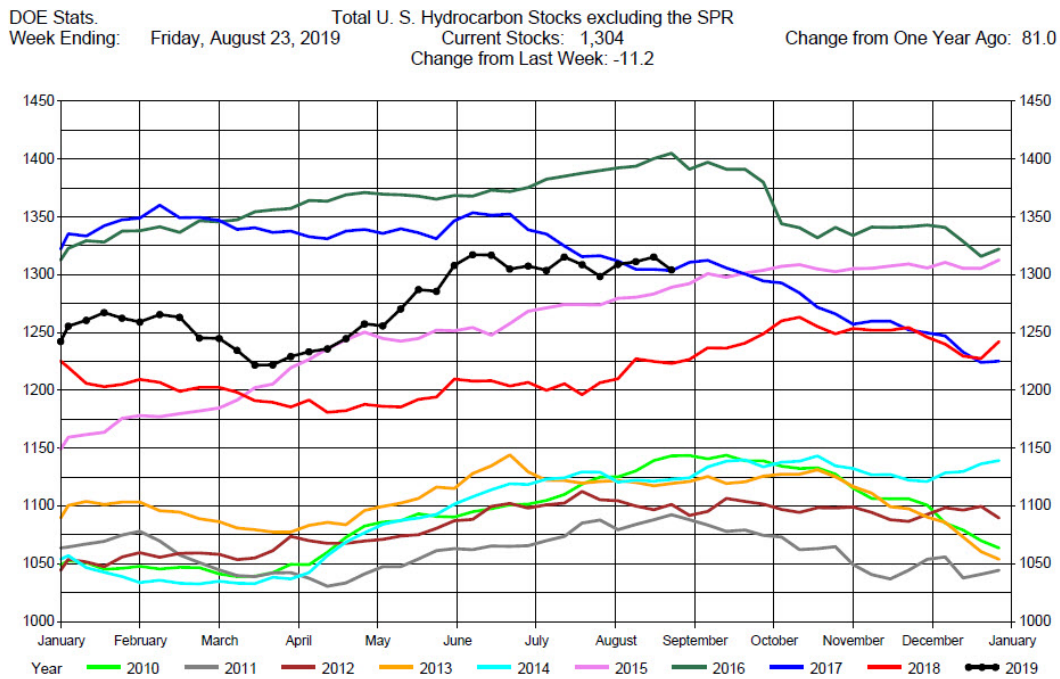


Chart 3

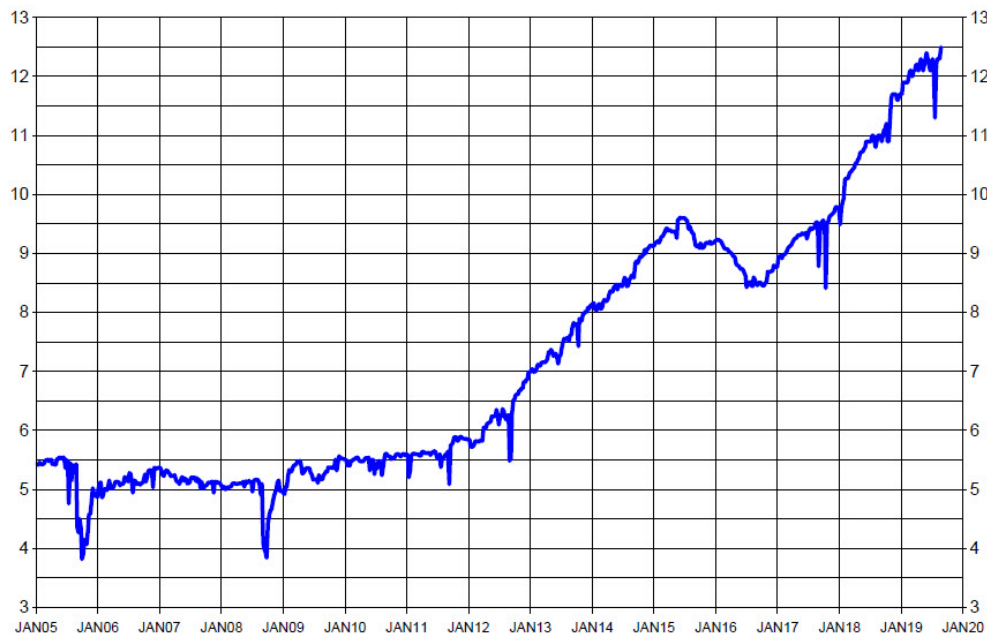
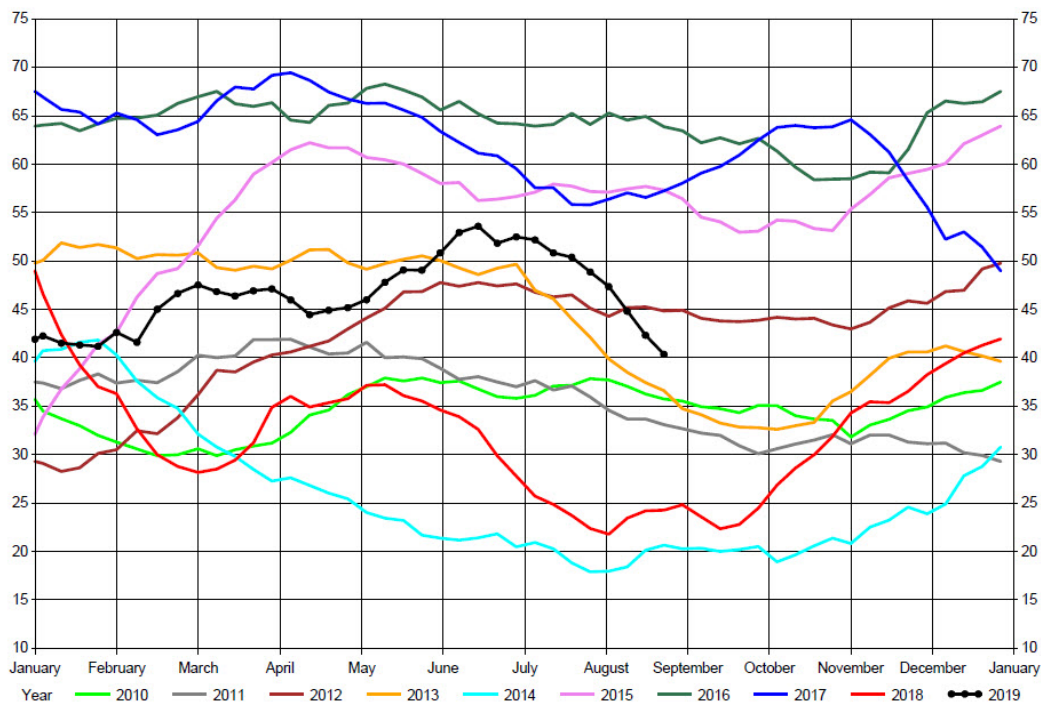


Chart 4

DOE Crude Stats.
 Week Ending: Friday, August 23, 2019

Cushing Crude Stocks
 Current Stocks: 40.4
 Change from Last Week: -2.0

Change from One Year Ago: 16.1



This is only a sample of the full DOE Insights report Joel publishes weekly. Each weekly report also includes a summary of data reported on Gasoline stocks and Distillates stocks.

EIA Insights

Injection Greater than Expectations

The EIA reported a 60 Bcf storage injection for the week ending August 23, 2019. The injection was at the average, 60 Bcf, for this week of the year and greater than the average of expectations, 56 Bcf.

Storage at 2,857 Bcf is 352 Bcf above inventories for this time last year and 100 Bcf below the five-year average.

The injection was considered bearish to prices but prices basically rallied soon after the report was released, ending the day up about 7 cents. Moving to the shoulder period of September and October and milder weather prices will probably be range bound. Many analysts believe that by the end of the injection season storage will be at least 3,700 Bcf. That means during the next 10 weeks cumulatively about 850 Bcf must be injected into storage. However, the average cumulative injection during the next 10 weeks is about 750 Bcf. We believe that when it becomes apparent that end of season storage will not be greater than 3,700 Bcf prices will dramatically rise.

Chart 1

EIA Weekly Natural Gas Storage Data Report

As of Friday, August 23, 2019

	Bcf in Storage	Week Change	Last Week Storage	Week Change	Last Year Storage
East Region	682	22	660	26	640
Midwest Region	790	30	760	31	667
Mountain Region	173	5	168	4	157
Pacific Region	278	4	274	2	241
South Region	934	-1	935	-4	800
U. S. Total Storage	2,857	60	2,797	59	2,505

Chart 2

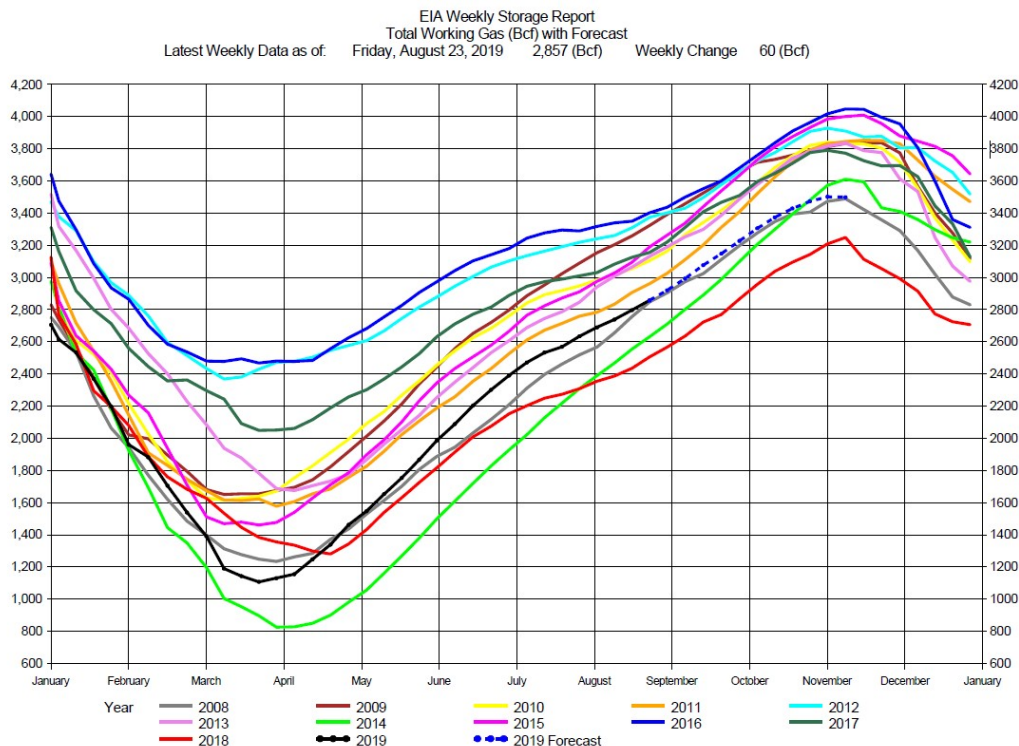


Chart 3

Natural Gas Injection Season - Total Working Gas
Injection Distribution (Bcf)
Latest Weekly Data as of: Friday, August 23, 2019 60 (Bcf)

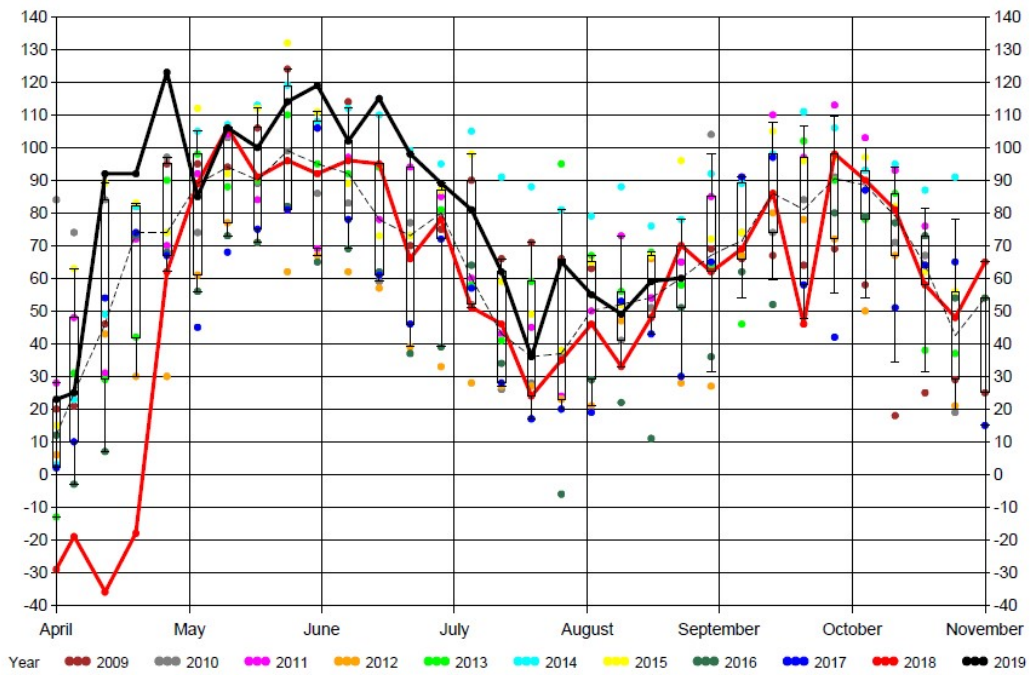
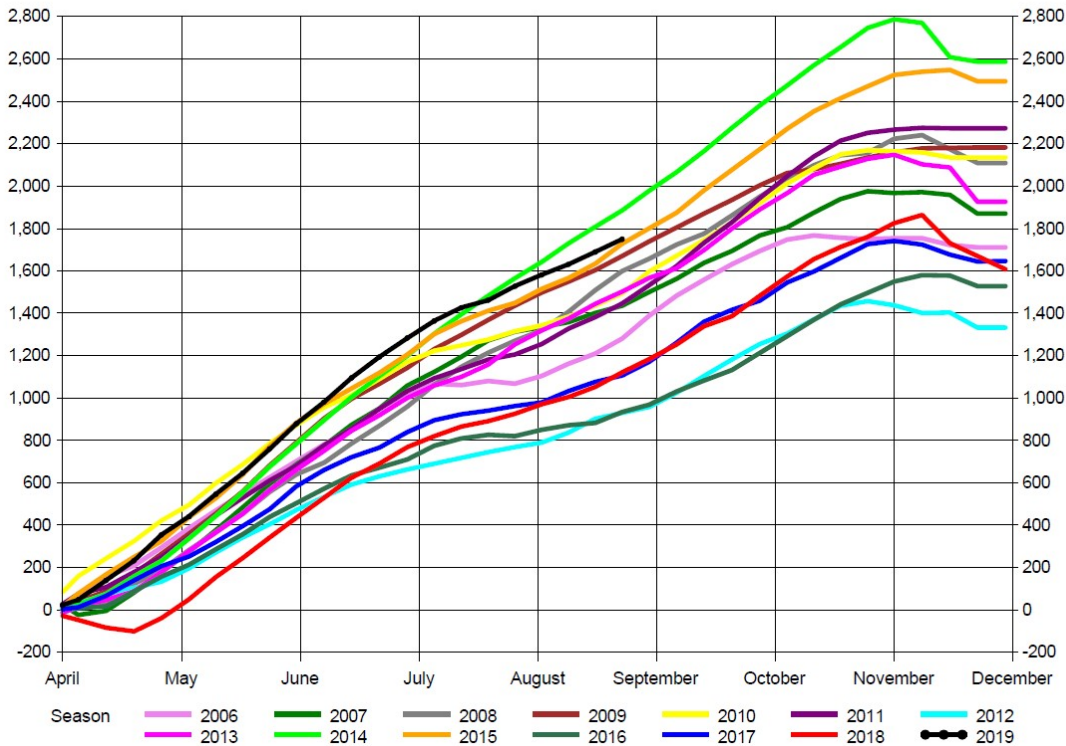


Chart 4

Summer Season Storage Cumulative Injection (BCF)



Platform Potential

The commodity market research platform offered by Fundamental Analytics is intuitive and easy to use. The year-on-year default visualizations of certain pricing and fundamental data along with the ability to easily create spreads charts offer a superb tool for analyzing relevant data. Research done by our team in June exemplifies how combined analysis of pricing, spreads, and fundamental data can offer meaningful market insights.

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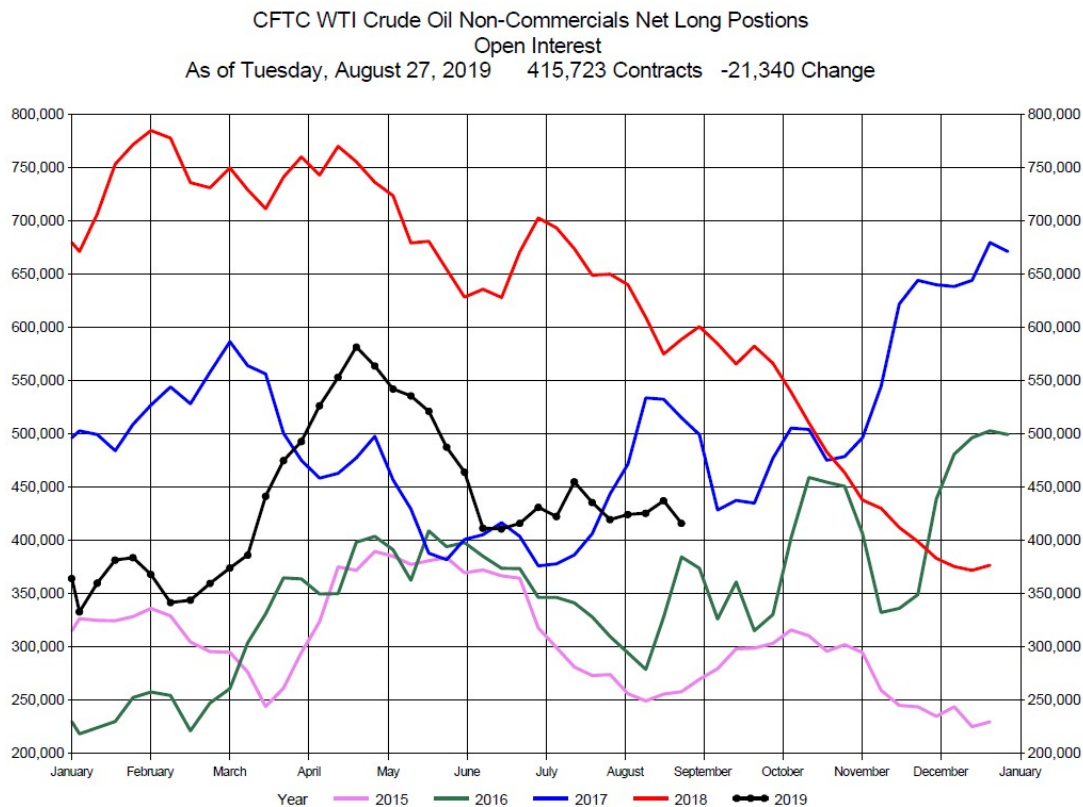
Commentary originally from August

Latest CFTC Report

The CFTC Commitment of Traders Report as of Tuesday, August 27, 2019 shows the Non-Commercials Net Long Positions in WTI Crude Oil decreased during the week by 21,340 contracts to 415,723 contracts. 15,632 Long positions were closed and 5,708 Short positions were established

Continued uncertainty regarding geo-political issues driving price volatility so the Funds net longs will remain in the 400,000 to 450,000 range.

Chart 1



Weekly Commentary

Fundamental Analytics offers timely weekly commentaries tied to reporting from the DOE, as well as weekly reports on crude oil and natural gas. We also offer a weekly commodity market update highlighting development in agricultural and energy markets. If you are interested in receiving any or all of these updates, please let us know. Below is a summary of one of our August Commodity Market Updates.

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August 30

The price spread between Brent crude oil prices and WTI crude oil prices has been shrinking. Last November the contract spread between the December Brent and WTI contracts was over \$8.00 per barrel and has decreased to \$3.73 as of August 29. Both December contracts have decreased since last April. The December Brent contract went from \$71 in late April to \$59.78 as of August 29. The December WTI contract went from \$65 in late April to \$56.05 as of August 29. So, while both contracts decreased during this period, the WTI decline was less, causing the spread to shrink. We believe that one factor causing this spread weakening has been the rapidly increasing exports of US crude oil production. Within the last two years exports have grown from about 500,000 barrels per day to over 3 million barrels per day. This is, in part, a result of new shale oil production available for domestic refining needs, allowing more US crude to be exported and the US crude has become more competitive on the world market, ultimately leading to a contraction of the Brent – WTI spread.

What to Watch in the Upcoming Weeks

Below are a few things to watch in early/mid-September of 2019. These factors are likely to impact energy and agricultural markets.

- Global economic slowdown and fears of an impending recession.
- The new round of US tariffs on Chinese goods and China halting their purchases on American agricultural products.
- Renewed Iranian negotiations regarding the nuclear agreement.
- Increased production and exports of NGL (natural gas liquids) impacting natural gas prices.

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Regards,
The Fundamental Analytics Team